

Message Text

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ACTION EUR-25

INFO OCT-01 EA-11 ADP-00 AGR-20 CEA-02 CIAE-00 COME-00

DODE-00 EB-11 FRB-02 H-03 INR-10 INT-08 L-03 LAB-06

NSAE-00 NSC-10 PA-03 RSC-01 AID-20 CIEP-02 SS-15

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FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 5670

INFO AMEMBASSY BANGKOK

AMEMBASSY DJAKARTA

AMEMBASSY KUALA LUMPUR

AMEMBASSY MANILA

AMEMBASSY SINGAPORE

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E.O. 11652: N/A

TAGS: XC, EEC, ETRD

SUBJECT: ASEAN-EC TALKS

REF: A) STATE 161838, B) EC BRUSSELS A-320, AUG. 20, 1973
(NOTAL), C) EC BRUSSELS 1911 (NOTAL)

1. SUMMARY: AN EC COMMISSION OFFICIAL HAS INFORMED THE MISSION THAT THE FORTHCOMING TALKS IN BANGKOK WITH ASEAN OFFICIALS ARE EXPLORATORY ONLY AND NOT NEGOTIATIONS. THE COMMISSION WOULD PREFER TO SEE CONCESSIONS TO THESE COUNTRIES HANDLED IN THE CONTEXT OF THE EC SYSTEM OF GENERALIZED PREFERENCES. THERE IS SOME QUESTION WHETHER THE MEMBER STATES WOULD ACCEPT SUCH A SOLUTION FOR ALL THE CONCESSIONS SOUGHT. OUR SOURCE SAID THAT ONLY PRELIMINARY CONSIDERATION HAD BEEN GIVEN

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TO ALTERNATIVE SOLUTIONS. WHEN QUESTIONED, HE INDICATED

THAT THERE WAS LITTLE LIKELIHOOD THAT THESE ALTERNATIVES WOULD INCLUDE SPECIAL TRADING ARRANGEMENTS INVOLVING REVERSE PREFERENCES. END SUMMARY.

2. A COMMISSION OFFICIAL WHO WILL ACCOMPANY COMMISSIONER SOAMES ON HIS TRIP TO BANGKOK HAS PROVIDED THE MISSION WITH ADDITIONAL BACKGROUND INFORMATION ON THE FORTHCOMING TALKS WITH ASEAN OFFICIALS. OUR SOURCE, A RECENTLY ARRIVED DANISH OFFICIAL (HANSON) IN CHARGE OF THE SOUTH EAST ASIA GEOGRAPHIC AREA IN DGI, UNDERScoreD THAT THE FORTHCOMING MEETING IS FOR EXPLORATORY TALKS AND NOT NEGOTIATIONS. HE SAID THAT THESE AND OTHER DISCUSSIONS WITH COUNTRIES IN THE AREA HAD TO BE VIEWED IN THE CONTEXT OF THE JOINT DECLARATION OF INTENT COVERING TRADE RELATIONS WITH DEVELOPING INDEPENDENT COMMONWEALTH COUNTRIES IN ASIA WHICH HAD BEEN MADE PART OF THE ENLARGEMENT AGREEMENT. THIS DECLARATION OF INTENT WAS MEANT TO MITIGATE, TO THE EXTENT POSSIBLE, TRADE DAMAGE WHICH MIGHT OCCUR AS THE RESULT OF UK ENTRY.

3. OUR SOURCE SAID THAT THE DISCUSSIONS WITH THE ASEAN COUNTRIES WERE COMPLICATED. ONLY TWO OF THE COUNTRIES IN THAT GROUP WERE SPECIFICALLY COVERED BY THE DECLARATION OF INTENT (MALAYSIA AND SINGAPORE). IN ADDITION, HOWEVER, HE INDICATED THAT THERE WAS AN ORAL UNDERSTANDING WITH INDONESIA, MADE AT THE TIME OF ENLARGEMENT, THAT INDONESIA WOULD GET NO LESS FAVORABLE TREATMENT FROM THE EC THAN EITHER MALAYSIA OR SINGAPORE. THE COMMUNITY HOWEVER HAS ENCOURAGED THE DEVELOPMENT OF REGIONAL LDC GROUPINGS SUCH AS ASEAN AND IT WAS THEREFORE DIFFICULT FOR THE COMMUNITY NOT TO CONSIDER THE PHILIPPINES AND THAILAND IN THE SAME GENERAL CONTEXT WITH THE OTHER COUNTRIES INVOLVED.

4. OUR SOURCE SAID THAT THE PREFERRED AND EASIEST SOLUTION WOULD BE TO PUT THE VARIOUS ITEMS OF INTEREST TO THE ASEAN COUNTRIES ON THE COMMUNITY'S GSP LIST. ITEMS IN THIS CATEGORY INCLUDED EDIBLE OILS, CANNED FISH (PRIMARILY PRAWNS), FRUIT JUICES, CANNED PINEAPPLES AND TAPIOCA (PRIMARILY THAILAND). TO SOME EXTENT THE LIMITED OFFICIAL USE

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COMMISSION HAS ALREADY TRIED TO MOVE IN THE DIRECTION OF GSP TREATMENT FOR THESE ITEMS IN THE PROPOSALS FOR 1974 COVERING PROCESSED AGRICULTURAL PRODUCTS WHICH HAVE RECENTLY BEEN SUBMITTED TO THE COUNCIL. (REF B) OUR SOURCE DID NOT RULE OUT THAT ADDITIONAL ITEMS MIGHT ALSO BE ADDED TO THE GSP LIST AFTER THE FORTHCOMING TALKS. HE QUESTIONED HOWEVER WHETHER THE MEMBER STATES WOULD BE PREPARED TO SEE ALL ITEMS OF

INTEREST TO THE ASEAN COUNTRIES PLACED ON THE GSP LIST. HE ALSO EXPECTS COMPLAINTS FROM THE AFRICAN ASSOCIATED STATES TO THE EXTENT THAT CONCESSIONS TO THE ASEAN COUNTRIES REDUCE THE MARGIN OF PREFERENCE IN THE EC MARKET FOR SIMILAR PRODUCTS PRODUCED IN THE ASSOCIATED COUNTRIES.

5. OUR SOURCE INDICATED THAT THE COMMISSION HAS GIVEN ONLY PRELIMINARY CONSIDERATION TO ALTERNATIVES TO THE GSP APPROACH. HE SUGGESTED AT ONE POINT THAT THE EC MIGHT SUSPEND DUTIES ON SOME OF THE PRODUCTS OR ALLOW THEM TO ENTER THE COMMUNITY ON A DUTY FREE BASIS DURING SPECIFIC CALENDAR PERIODS. WHEN QUESTIONED, HE DID NOT ABSOLUTELY RULE OUT SOME FORM OF BILATERAL TRADE TIES WITH THE MEMBERS OF ASEAN BUT HE DOUBTED THAT EFFORTS WOULD BE MADE TO INCLUDE REVERSE PREFERENCES IN SUCH ARRANGEMENTS. WE REVIEWED WITH HANSON PAST US-EC DIFFERENCES ON THE PREFERENTIAL TRADE ISSUE AND REMINDED HIM OF SIR CHRISTOPHER'S PAST STATEMENTS THAT THE COMMUNITY'S SO-CALLED SPECIAL TRADING ARRANGEMENTS WOULD NOT BE EXTENDED BEYOND THE MEDITERRANEAN, AFRICA AND THE COMMONWEALTH ASSOCIABLE COUNTRIES (REF C).

6. AS ANOTHER MEANS OF ASSISTING THE ASEAN COUNTRIES WE WERE TOLD THAT THE COMMUNITY WAS ALSO CONSIDERING SOME CHANGES IN THE RULES OF ORIGIN AS THEY GOVERN THE COMMUNITY'S GENERALIZED PREFERENCE SCHEME. ONE POSSIBLE CHANGE WOULD ALLOW FOR THE CUMULATION OF ORIGIN WITHIN REGIONAL GROUPINGS SUCH AS ASEAN SO THAT PRODUCTS PROCESSED IN MORE THAN ONE COUNTRY OF A REGIONAL GROUPING COULD MORE EASILY MEET THE ORIGIN RULES OF THE EC GENERALIZED PREFERENCE SYSTEM. A SECOND POSSIBILITY WOULD BE TO EXCLUDE FROM THE NORMAL ORIGIN LIMITED OFFICIAL USE

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CALCULATIONS THAT PORTION OF A PRODUCT WHICH ORIGINATED IN THE COMMUNITY ITSELF.

7. DURING OUR CONVERSATION WE LEARNED THAT ON HIS TRIP TO THE FAR EAST, SOAMES WILL ALSO MAKE A SHORT STOP IN NEW DELHI AND IN HONG KONG EN ROUTE TO TOKYO. FOLLOWING THE MEETINGS IN BANGKOK, HANSON PLANS TO PAY A SHORT VISIT TO DJAKARTA BEFORE RETURNING TO BRUSSELS IN MID-SEPTEMBER. HE HAS PROMISED TO BRIEF US ON THE RESULTS OF THE BANGKOK MEETINGS WHEN HE RETURNS. HARTMAN

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